

## Owner's Headaches

by Mark G. Beisecker



“ Whether or not an accident results in personal injury and/or property damage, accidents are expensive and can significantly cut into...profits. ”

### CONTROLLING INSURANCE COSTS: SAFETY AND HEALTH PROGRAM ELEMENTS THAT LOWER INSURANCE COSTS

Somewhere deep within the archives of OSHA is a picture of a twenty-two year old kid, four stories high, standing on the outside wall forms of a building in Moorhead, Minnesota. He is on the business end of a pump truck hose pouring the walls, when an OSHA compliance officer makes him stop and come down. The compliance officer explains to the superintendent that the employee had no eye protection, (other than sunglasses), and no fall protection. The company received two citations for about \$150.00, paid them and went on their way doing business as always.

The year was 1978 and after twenty-five years in the construction industry as a laborer, operator and safety director, that same twenty-two year old kid has spent the last five years working with a major insurance carrier helping customers like yourself enhance their safety and health programs. The number

one question I am asked is: "What can I do to help control my insurance costs?"

Sometimes the need is obvious! However, with your insurance costs being, in most cases, your second or third leading operational cost, it is critical for upper and middle management to focus on their safety and health program. The safety and health program must be managed like every other critical aspect of your company. Just like ordering form material, concrete, rebar and manpower, safety cannot be a secondary function of your workforce at any level. Simply put, management must manage!

Accidents cost money, not only through direct costs, such as medical and compensation expenses, but in indirect costs as well. In fact, indirect costs can add up, hidden costs on which a dollar value can't easily be placed—production, time, employee morale, and customer goodwill. Indirect expenses can easily

cost you anywhere from one to ten times the direct costs. Whether or not an accident results in personal injury and/or property damage, accidents are expensive and can significantly cut into operating costs and, ultimately, profits.

These unnecessary expenses can be controlled through implementing, maintaining, and supporting a proactive safety program. These programs have proven effective in preventing and controlling accidents, reducing operating costs, increasing efficiency and productivity, and improving employee morale and public relations. Developing an effective loss control program is not an easy task, and the results may take some time to show up. However, through perseverance, a strong desire, and most of all, management commitment, the benefits will reveal themselves, justifying the expended time, resources, and efforts. Significant dollars can and will be saved in insurance costs, as well as

other costs, through implementing a safety program suited to your needs.

Though other more specific programs may also be necessary, those elements typically found in a general safety program are:

- Company Safety Policy
- Safety Rules and Regulations
- Duties and Responsibilities
- Employee Selection
- Employee Orientation and Training
- Project Inspections
- Job Safety Analysis
- Accident Investigations
- Safety Committees
- First Aid Activities
- Personal Protective Equipment
- Subcontractor Management
- Fleet Safety
- Recordkeeping

These program elements provide management with clear direction and a methodical approach to controlling losses. They can also help employees realize management's expectations of them with

regard to using safe work practices.

When implementing a loss control program, it is not advisable (or practical) to introduce all of these elements at once. Introducing so many new procedures at once may only serve to overwhelm, confuse, and frustrate personnel. Implement elements into normal work activities in a manner that allows employees time to absorb the information and adjust to any necessary changes as a result. Allow the program to become an integral part of the work ethic, rather than merely a "paper" program.

Introduce program elements on an "as needed" basis. Analyze your losses, whether they are worker's compensation, auto liability or general liability related. For example, if your loss analysis reveals numerous accidents resulting from unsafe conditions, you may need to develop and implement a facility inspection program.

Management's commitment to the

health and well-being of employees is paramount to the success of the program. This should be the primary thread running throughout the program to give it substance. Therefore, the key elements to introduce first are those that exemplify management's support and involvement. Address these needs in a company safety policy and in safety rules and regulations. These essential program elements should be developed and in place before the other program areas to make the program legitimate, provide guidance, and offer a means to justify any necessary disciplinary action.

The purpose and objective of each loss control program element follows:

### Company Safety Policy

A safety policy statement should be written and publicized by top management to demonstrate their support for employee safety. It should communicate

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the message that safety plays a key role in the organization's welfare, lending credence to the safety program.

### Safety Rules and Regulations

Safety rules and regulations are developed and enforced primarily to reduce or eliminate personal injury and/or property damage caused by unsafe work practices. Rules and regulations should encompass both general (company-wide) and specific (departmental) requirements. Although safety rules and regulations are meant to promote safe work practices, they can also justify disciplinary action to change or modify poor or unsafe work behavior.

### Duties and Responsibilities

Every employee has a responsibility toward safe job performance. The duties and responsibilities, including safety expectations, should be developed and incorporated into the job descriptions of all employees and management. This

detail will provide specific direction and assign accountability for conducting work activities in a safe manner and support the overall safety commitment.

### Employee Selection

Don't just hire a warm body with a pulse. An effective employee selection program can improve overall job performance by selecting the right person for the job. Effective employee selection starts with well-defined and objective requirements for each job. The applicant's ability to meet these requirements can then be determined through a variety of resources, including the initial application, the interview process, reference checks, written tests, physical examinations, and probationary periods, to name a few examples.

### Employee Orientation and Training

Employee orientations should teach new employees the fundamental aspects of

safe job performance, in addition to the skills required to perform a particular job. Safety indoctrination is an important part of the orientation process as it instills a positive attitude toward safety from the first day on the job. Employee training is also a significant element of a safety program, because it keeps safety in the forefront. Training should be directed at new employees, employees placed in new positions, and employees displaying poor or unsafe work practices. Safety training that highlights the job hazards can have a positive impact on job performance and productivity.

### Project Safety Inspections

Inspections should be an integral part of a safety program. They are important in identifying and correcting workplace hazards. Inspections should be directed at identifying both unsafe work practices and physical conditions. All inspections should be documented in writing and

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submitted to appropriate personnel for corrective action. A follow-up procedure should be developed to ensure corrective action is completed in a timely fashion.

### Job Safety Analysis

Job safety analysis (JSA) is a valuable tool used to review specific tasks in order to identify potential hazards associated with the task. Once the hazards are known, solutions can be developed and incorporated into the job procedure to eliminate or control the exposure. JSAs promote safe job performance by providing employees with increased safety knowledge, establishing safer job procedures and developing safer working conditions.

### Accident Investigation

Although accident investigations are performed after the accident has occurred, it is important to learn from our mistakes. The purpose of accident investigations is to uncover the true accident causes in

order to prevent the recurrence of similar accidents. When properly used, the investigation can improve employee morale and promote safety by showing management's concern for the employee's well-being.

### Safety Committees

The basic function of a safety committee is to create and maintain interest in safety and health, and thereby, help reduce accidents. Safety committees should include both supervisory and non-supervisory personnel selected to serve on a rotating basis. These committees allow management to delegate some of the safety program functions.

### First Aid/Medical Activities

A physician should be consulted when establishing first aid and medical procedures and when determining which first aid supplies to maintain. A minimum of two employees trained in first aid and CPR techniques should be available on each

project. Effective first aid/medical procedures help reduce the potential severity of accidents by providing initial treatment and care of minor injuries, as well as by providing first aid care of more serious injuries until advanced medical help, i.e., physician or hospital care, can be obtained.

### Personal Protective Equipment

Use of appropriate personal protective equipment is mandatory when hazards can't be eliminated through engineering controls/safeguards. Personal protective equipment can limit exposures and exposure time to a variety of physical, chemical, biological, and process hazards. An effective program would include equipment selection, employee training, and equipment maintenance procedures.

### Subcontractor Management

An effective subcontractor pre-qualification process can eliminate many problems before you even finish bidding

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the job. Strong subcontractor agreements with proper indemnification and minimum insurance requirements will help your company deflect possible claims from third parties. Documentation both in the office and in the field is key.

### Auto Liability

Auto liability is not the lead line for most insurance companies. Historically, carriers under-priced the auto portions of the business to get the rest of the account. However, this is changing as increased litigations costs are forcing carriers to become more selective and sophisticated in their pricing. An effective fleet safety and maintenance program goes a long way to keeping your costs down.

### Recordkeeping

Good recordkeeping practices are fundamental throughout the entire safety program to document a variety of safety activities and to maintain loss informa-

tion. Records of accidents, accident investigations, first aid, safety committee meetings, employee training, and facility inspections, should be maintained.

So, look at your program and ask yourself these questions:

- Did you develop your safety and health program to satisfy OSHA, MSHA, DOT or any other regulatory agency?
- Did you develop your safety and health program to satisfy an insurance company?
- Did you develop your safety and health program to train and educate your employees so that they may have the safest workplace possible, thereby increasing employee morale and productivity?

If your answer was one of the first two, you may want to refocus your efforts.

A successful safety program must have management support. Management's active role in the program will demonstrate

a genuine interest in the safety and health of its employees, which in turn will help promote a positive safety attitude among employees.

Maintaining an effective safety program is an ongoing process. Frequent evaluations are needed to ensure the program continues to address needs. Whenever new processes or equipment are introduced, or loss experience increases, the program may need to be modified or expanded. The benefits received will result in decreased operating costs. ■

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